

RATE SCHEDULE

Effective Date: 4/1/91

I. PURPOSE

In accordance with Title 29 Delaware Code, Section 7940(b), the Department of Services for Children, Youth and Their Families shall publish a rate schedule for those services deemed appropriate by the Cabinet Secretary, on October 1st of each year. This schedule, based on the cost of providing the services in the prior State Fiscal Year, shall be in effect for the subsequent twelve month period or until revised.

II. POLICY

It shall be the responsibility of the Division of Management Services to establish this schedule on a yearly basis, employing the rate setting methodology contained in this policy. The schedule will then be reviewed by the Director of Management Services, and forwarded to all Division Directors for comment. After the review and comment period, the schedule, or a revision thereof, will be presented to the Cabinet Secretary for approval. Once approved, the Director of the Division of Management Services shall disseminate the schedule to the affected divisions for implementation.

III. DEFINITIONS

A. Financial Statement - The official financial document used to develop rates for the department is the "Appropriation Expenditure - By Object Code" report, generated by the Delaware Financial Management System (DFMS) on a monthly basis. The June year-end report will be used.

B. Unit of Service - The unit of service, which constitutes the denominator of the rate equation, will vary with the type of service. Typical examples include: patient days, service slots, service hours or some other standard unit measure. The unit of service will be chosen

by the Division of Management Services after consultation with the affected division. In order to provide standardized cost information on a year-to-year basis, the unit of service will not be changed except under unusual circumstances.

- C. Direct Cost - The direct cost is the base cost associated with providing the service as detailed in the financial statement. It is comprised of current year costs and prior year encumbrances spent-out in the current year. These costs are to be detailed on Schedule A and retained for an audit trail.
- D. Divisional Administrative Costs - Associated only with the Department's direct service divisions, these costs represent division level administrative overhead. In general, the Office of the Division Director is the cost center containing these expenditures. These costs are allocated over the direct service components of the division. The allocation basis will be the total cost of the direct service component. Should the Director's Office contain expenditures for client services, these will be treated as reallocated costs and deleted from the divisional overhead computation. The worksheet shall be retained for an audit trail.
- E. Departmental Administrative Costs - These costs are associated with Department-wide administration. Included are expenditures in the Office of the Secretary, the Planning, Monitoring and Information Systems IPU of the Division of Management Services, and the following IPU's of the Division of Administration: Office of the Director, Fiscal Operations and Management Services, Personnel Services, and the Center for Professional Development. These costs are allocated to the direct service divisions using various allocation bases.
- F. Statewide Administrative Costs - These are costs incurred at the State level by central service components of State government. These expenditures are calculated by the State Budget Office on a yearly basis, and approved by the Division of Cost Allocation in the Federal Department of Health and Human Services. These costs become part

of the Departmental Administrative Cost to be allocated to the direct service divisions.

- G. Unallowable Costs - Certain expenditures in the Department are not appropriate for inclusion in the rate calculation. Although there is no set rule for costs of this nature, in general, costs not associated with providing client care fall into this category. Examples include expenditures such as client trust accounts, donation accounts, debt principal payments, capital expenditures, etc. The Division of Management Services will make a determination on a case-by-case basis on how these costs are to be reallocated. All worksheets contain a cross-referenced section for reallocated costs.
- H. Total Cost - The total cost of a service, which forms the numerator of the rate equation, shall be defined as:
1. the direct cost;
 2. plus divisional, departmental and statewide administrative costs;
 3. minus unallowable costs;
 4. plus/minus reallocated costs.
- B. Rate Equation - The rate equation, which is the product of Schedule C, is the final calculation of the rate setting process. It produces the cost of a unit of service and may be defined as follows:

$$\frac{\text{Total Cost}}{\text{\# of Units of Service}} = \text{cost per unit of service}$$

- I. Rate Schedule - The rate schedule is the compilation of the cost per unit of service, as calculated using the methodology contained in this policy, for all Departmental services deemed appropriate by the Cabinet Secretary.

IV. PROCEDURES

Because of the varied nature of the services provided by the Department, a general rate setting methodology is presented in the attached appendix. It will be modified as required in setting rates for various services.

A. Implementation of Rates

After the calculation of rates has been completed, the Director of the Division of Management Services shall publish an Interim Rate Schedule and distribute it to the Department's Division Directors for a review and comment period, which is to last two weeks. After this period the Interim Rate Schedule will be modified, incorporating the comments of the Directors and sent to the Cabinet Secretary as a Final Rate Schedule for approval. Once approved, the Director of Administration shall disseminate the final rates to the appropriate division directors for implementation.

B. Record Retention

The following items are to be retained by the Division of Management Services permanently for each rate setting cycle, in a well organized and easily accessible manner:

1. All worksheets
2. All financial statements
3. All other source documentation such as GAAP reports, assessments, SWCAP calculations, etc.
4. All subsidiary worksheets and notes, if any
5. All unit of service correspondence
6. All other ancillary materials used in setting the rates
7. All rate schedules and comments